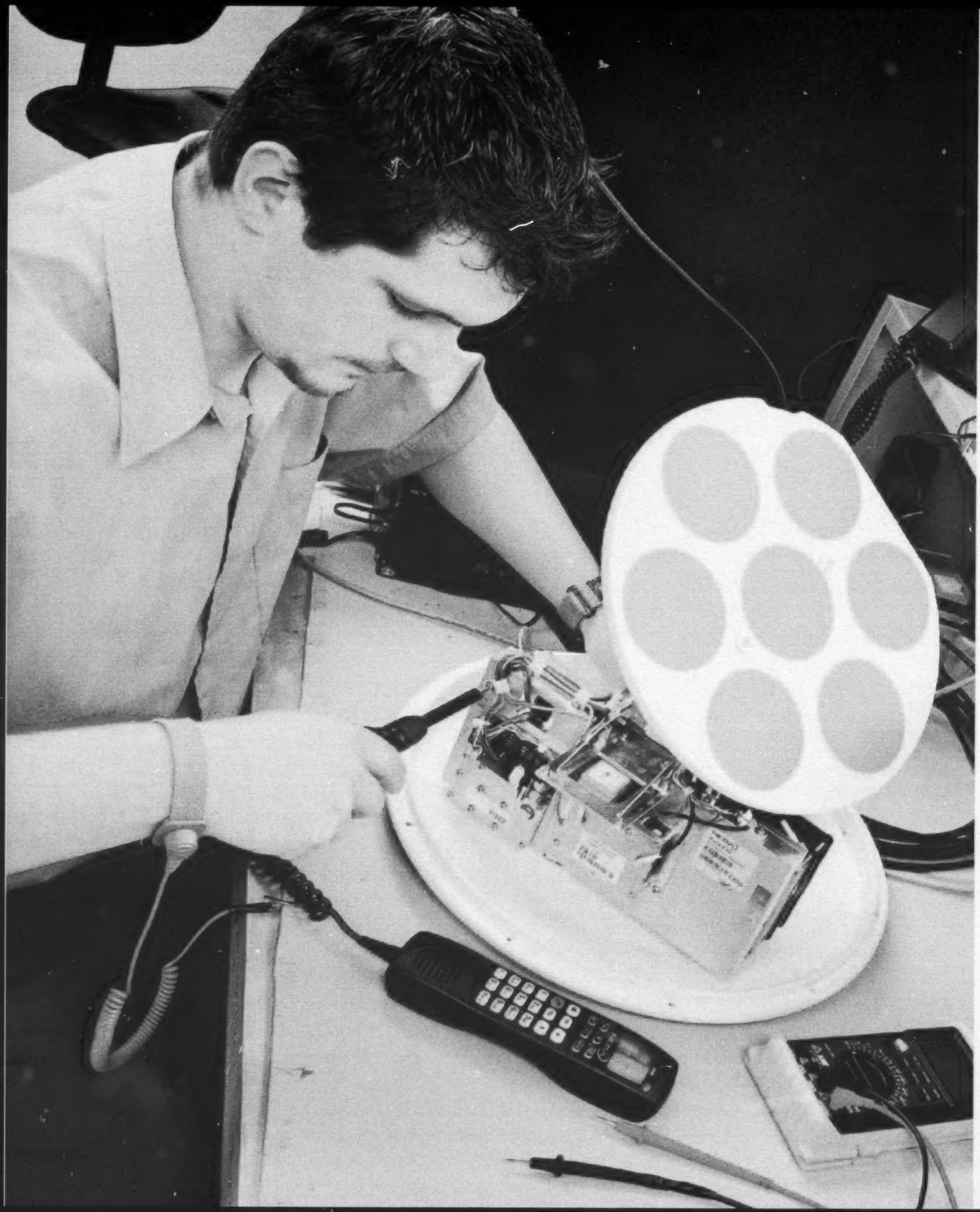
annual report 13/14

Economic Diversification and Growth Enterprises

Newfoundland Labrador

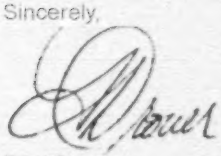
Innovation, Business and Rural Development



message from the chair

As Chair of the board for the Economic Diversification and Growth Enterprises (EDGE) Program, I am pleased to present its annual report for the fiscal year 2013-14. The annual report is submitted in accordance with the obligation as a category three entity under the *Transparency and Accountability Act*, prepared under the direction of the board which is accountable for the actual results reported.

Sincerely,



Fred Drover
Chair

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overview

The EDGE program was established on December 16, 1994 under the authority of the *Economic Diversification and Growth Enterprises Act*. The program was designed as an economic development and marketing tool to encourage new business investment in the province to help diversify the economy and stimulate private sector job creation through a number of tax-related and other incentives. The EDGE program is not required to provide audited financial statements.

EDGE is an incentive-based program that is available to national and international companies who wish to establish a new enterprise in the province as well as local companies that want to expand and local entrepreneurs who are interested in new business start-ups. To be considered for EDGE status, a company must demonstrate that it is a new or expanding business activity that:

- has the potential for new capital investment of at least $300,000, or incremental sales of at least $500,000;
- has the potential to create and maintain at least 10 new permanent jobs in the province;
- would not take place in the province in the absence of the EDGE incentives, in preference to another location or at the time when it is proposed to do so;
- has a substantial net economic benefit to the province; and
- would not result in the company having a direct competitive advantage over other businesses already established in the province, if provided EDGE status.

Those companies that are granted designation as an EDGE Corporation and enter into a contract with the Provincial Government must reach and maintain these eligibility criteria, in order to receive EDGE benefits, unless extenuating temporary circumstances exist for which the Lieutenant-Governor in Council may give a temporary reprieve and continue the benefits. EDGE contracts may be amended or revoked at any time if the company fails to comply with the terms of the contract entered into with the Provincial Government.

EDGE designated companies are eligible to receive:

- 100 percent rebate/remission on provincial corporate income tax and the provincial health and post-secondary education (payroll) tax. The tax "holiday" for eligible companies is 10 years on the Northeast Avalon and 15 years outside the Northeast Avalon, as defined in the *Economic Diversification & Growth Enterprises Act*;
- 50 percent rebate, paid by the province, on federal corporate income tax for the periods referenced above;
- further five-year phase-out period of partial rebates on the provincial and federal taxes referenced above, declining by 20 percent in each year of the phase-out period;

- 100 percent rebate on municipal property and/or municipal business taxes for 10 or 15 years, followed by a five-year phase-out of such rebates, where individual municipalities elect to participate in the EDGE program; and
- access to un-serviced Crown land for $1 where such land is required to implement the company's business plan.

Applications for designation as an EDGE Corporation are evaluated by an independent board appointed by the Lieutenant-Governor in Council. The board does not have its own staff. IBRD provides administrative support to the board.

At the end of this reporting period, March 31, 2014 the board consisted of the following members:

Chairperson
- Fred Drover, St. John's

Members
- Deputy Minister, Department of Finance
- Deputy Minister, Department of Innovation, Business and Rural Development
- Robert Marche, Corner Brook
- William Abbott, Bonavista
- Jerry Dean, Botwood

Legislation
Legislative authority for the board resides in the *Economic Diversification and Growth Enterprises Act* where:

"Applications for designation as an EDGE Corporation shall be evaluated by the board appointed by the Lieutenant-Governor in Council...who shall make recommendations with respect to the applications to the Lieutenant-Governor in Council through the Minister."

and

"Where the board requests it, an application for designation as an EDGE Corporation shall provide the other information...that the board may require to enable it to conduct a proper evaluation of the application.

Mandate
The mandate of the board is to evaluate applications for designation as an EDGE Corporation and to make recommendations to the Lieutenant-Governor in Council through the Minister of Innovation, Business and Rural Development. When necessary, the board may request additional information from applicants to enable proper evaluation of applications.

Values
The core values explain the character of the organization that is promoted and the action statements guide behavior. The core values which guide the behavior of the board of EDGE are as follows:

Effectiveness
Each person makes informed decisions in a timely and professional manner.

Responsiveness
Each person builds relationships of trust and collaboration with other board members.

Communication
Each person takes initiative to promptly share information with other board members in support of its mandate.

Vision
The work of the board supports the vision of IBRD. Through the EDGE program, the board assists in providing investment incentives that contribute to a diversified and competitive economy in all regions of the province.

The vision of IBRD is of a vibrant, diverse, and sustainable economy with productive and prosperous regions throughout the province.

Mission
The mission statement identifies the priority focus area of the Department of Innovation, Business and Rural Development.

The mission of IBRD is as follows:

> *"By March 31, 2017, the Department of Innovation, Business and Rural Development will have stimulated economic and business development to foster regional and provincial prosperity."*

board's objective and activities

The EDGE board evaluates applications for designation as an EDGE Corporation and makes recommendations with respect to the applications to the Lieutenant-Governor in Council through the Minister of Innovation, Business and Rural Development.

The strategic directions that relate to the EDGE board include:

- Regional Diversification and Industry Growth
- Business Promotion, Trade and Investment Development

The board supports these directions by evaluating applications related to expansion and diversification of existing businesses and new business investment.

The following represents the EDGE board's activities in support of the Provincial Government's strategic directions for fiscal year 2013-14. One objective has been identified in the board's 2011-14 Activity Plan, and is reported on herein. The objective, measure and the indicators were reported annually for the three years of the Activity Plan (2011-12, 2012-13 and 2013-14). This is the final year of the 2011-14 planning cycle.

evaluation of applications

objective	The board will have evaluated and made recommendations on all EDGE program applications made within the fiscal year that were ready for review by the board.
measure	EDGE program applications evaluated by the board.
indicators	• Number of applications evaluated (that were made within the fiscal year and ready for the board's review) • Recommendations made to the Lieutenant-Governor in Council
activities	As of March 31, 2014 two new EDGE applications were received during the 2013-14 fiscal year. However, after preliminary analysis these applications were deferred pending further information from the client. No EDGE board meetings were held during 2013-14.

Newfoundland
Labrador

Innovation, Business and Rural Development

Economic Diversification and Growth Enterprises
2013-2014 Annual Report

Department of Innovation, Business and Rural Development
West Block | Confederation Building
P.O. Box 8700 | St. John's, NL A1B 4J6
t: 709.729.7000 | f: 709.729.0654
e: IBRD@gov.nl.ca | website: www.gov.nl.ca/IBRD